Q2

2023

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FLINT Announces Second Quarter 2023 Financial Results

First half revenue increases 12.7% to $319 million and Adjusted EBITDAS increases 22.2% to $13.3 million

Calgary, Alberta (July 27, 2023) – FLINT Corp. ("FLINT" or the "Company") (TSX: FLNT) today announced its results for the three and six months ended June 30, 2023. All amounts are in Canadian dollars and expressed in thousands of dollars unless otherwise noted.

"EBITDAS" and "Adjusted EBITDAS" are not standard measures under IFRS. Please refer to the Advisory regarding Non-GAAP Financial Measures at the end of this press release for a description of these items and limitations of their use.

"Demand for our services remained strong in the second quarter with revenue of $168.6 million, representing the third highest quarterly revenue reported by the Company despite being impacted by the wildfires in Alberta and British Columbia. Adjusted EBITDAS in the quarter totaled $7.9 million, unchanged from the second quarter of 2022. We successfully completed several construction projects and 20 turnarounds to build and maintain the integrity of our customers' infrastructure in the quarter," said Barry Card, Chief Executive Officer.

"The volume of requests for proposals from our customers remains high, with new contract awards and renewals totaling $216 million in the first half of the year. We continue to diversify into new markets as evidenced by awards from new customers in the fertilizer and coal industries. The commitment to our core values of safety and quality is paramount to our success," added Mr. Card.

SECOND QUARTER HIGHLIGHTS

- Revenue for the three months ended June 30, 2023 was $168.6 million, representing a decrease of $4.6 million or 2.7% from the same period in 2022 and an increase of $18.1 million or 12.0% from the first quarter of 2023.
- Gross profit for the three months ended June 30, 2023 was $17.3 million, representing an increase of $1.6 million or 9.9% from the same period in 2022 and an increase of $3.9 million or 29.1% from the first quarter of 2023.
- Gross profit margin for the three months ended June 30, 2023 was 10.2%, as compared to 9.1% in the same period in 2022 and 8.9% in the first quarter of 2023.
- Adjusted EBITDAS for the three months ended June 30, 2023 was $7.9 million, consistent with the same period in 2022 and an increase of $2.5 million or 45.0% from the first quarter of 2023.
- Adjusted EBITDAS margin was 4.7% for the three months ended June 30, 2023 representing an increase of 0.1% from the same period in 2022 and an increase of 1.1% from the first quarter of 2023.
- Selling, general and administrative ("SG&A") expenses for the three months ended June 30, 2023 were $9.6 million, representing a decrease of $0.2 million or 2.3% from the same period in 2022 and an increase of $1.4 million or 17.2% from the first quarter of 2023. As a percentage of revenue, SG&A expenses for the three months ended June 30, 2023 were 5.7%, consistent with the same period in 2022.
- Liquidity, including cash and available credit facilities, was $41.1 million at June 30, 2023, as compared to $37.0 million at December 31, 2022.
- New contract awards and renewals totaled approximately $104.8 million for the three months ended June 30, 2023 and $14.1 million for the first three weeks of July. Approximately 73% of the work is expected to be completed in 2023.

Maintenance and Construction Services

Revenue for the Maintenance and Construction Services segment was $155.7 million for the three months ended June 30, 2023, compared to $160.3 million for the same period in 2022, representing a decrease of $4.6 million or 2.8%. The decrease in revenue related to the record activity levels experienced in the second quarter of 2022, which benefited from the completion of a backlog of turnaround projects that were postponed during the COVID-19 pandemic. Also, activity levels in the second quarter of 2023 were impacted by the wildfires in Alberta and British Columbia.

Gross profit margin was 9.7% for the three months ended June 30, 2023 compared to 8.5% for the same period in 2022. The increase was due to management's focus on operating efficiencies and cost discipline. We continue to focus on consolidating various scopes of work with existing or new customers by bundling our services in order to enable more efficient execution and lower costs for our customers on each work site.

Wear Technology Overlay Services

Revenue for the Wear Technology Overlay Services segment for the three months ended June 30, 2023 was $13.0 million, compared to $14.3 million for the same period in 2022, representing a decrease of $1.3 million or 8.9%. The decrease in revenue related to the higher activity levels experienced in the second quarter of 2022 as the market was recovering from the COVID-19 pandemic.

Gross profit margin was 17.2% for the three months ended June 30, 2023, compared to 14.6% for the same period in 2022. The increase was primarily due to the mix of work compared to the prior period.

Environmental Services

We continue to enhance our professional services capabilities to service our growing customer base in this market segment. Our customers in the energy sector continue to allocate expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and facilities in Western Canada to comply with regulatory requirements and to meet their commitments regarding ESG (environmental, social and governance) matters.

SECOND QUARTER FINANCIAL RESULTS

($ thousands, except per share amounts)	Three months ended June 30, 2023	2022	% Change	Six months ended June 30, 2023	2022	% Change
Revenue						
Maintenance and Construction Services	155,709	160,266	(2.8)%	292,269	259,701	12.5 %
Wear Technology Overlay Services	13,001	14,276	(8.9)%	26,930	26,617	1.2 %
Eliminations[1]	(143)	(1,347)	(89.4)%	(153)	(3,275)	(95.3)%
Total	168,567	173,195	(2.7)%	319,046	283,043	12.7 %
Gross Profit						
Maintenance and Construction Services	15,028	13,623	10.3 %	26,350	20,981	25.6 %
Wear Technology Overlay Services	2,232	2,078	7.4 %	4,278	4,460	(4.1)%
Total	17,260	15,701	9.9 %	30,628	25,441	20.4 %
Gross Profit Margin (% of revenue)						
Maintenance and Construction Services	9.7 %	8.5 %	1.2 %	9.0 %	8.1 %	0.9 %
Wear Technology Overlay Services	17.2 %	14.6 %	2.6 %	15.9 %	16.8 %	(0.9)%
Total	10.2 %	9.1 %	1.1 %	9.6 %	9.0 %	0.6 %
Selling, general and administrative	9,572	9,799	(2.3)%	17,740	17,851	(0.6)%
% of revenue	5.7 %	5.7 %	— %	5.6 %	6.3 %	(0.7)%
Adjusted EBITDAS[2]						
Maintenance and Construction Services	14,944	13,473	10.9 %	26,144	20,716	26.2 %
Wear Technology Overlay Services	2,144	2,004	7.0 %	4,118	4,312	(4.5)%
Corporate	(9,194)	(7,569)	21.5 %	(16,924)	(14,114)	19.9 %
Total	7,894	7,908	(0.2)%	13,338	10,914	22.2 %
% of revenue	4.7 %	4.6 %	0.1 %	4.2 %	3.9 %	0.3 %
Loss from continuing operations	(12,103)	(974)	(1142.6)%	(15,428)	(8,757)	(76.2)%
Net loss per share (dollars) from continuing operations (basic and diluted)	(0.11)	(0.01)	(1000.0)%	(0.14)	(0.08)	(75.0)%

(1) The eliminations includes eliminations of inter-segment transactions. FLINT accounts for inter-segment sales based on transaction price.

(2) "Adjusted EBITDAS" is not a standard measure under IFRS. Please refer to the Advisory regarding Non-GAAP Financial Measures at the end of this press release for a description of this measure and limitations of its use.

Revenue for the three and six months ended June 30, 2023 was $168,567 and $319,046 compared to $173,195 and $283,043 for the same periods in 2022, representing a decrease of 2.7% and an increase of 12.7%, respectively. The decrease in quarterly revenue relates to the record activity levels experienced in the second quarter of 2022 due to the completion of turnaround projects that were postponed during the COVID-19 pandemic. The increase in revenue for the first half of the year was driven by the continued market momentum in 2023, representing an increase in activity across all areas of the business with the largest increase occurring in the Maintenance and Construction Services segment.

Gross profit for the three and six months ended June 30, 2023 was $17,260 and $30,628 compared to $15,701 and $25,441 for the same periods in 2022, representing an increase of 9.9% and 20.4%. The increase in gross profit was primarily driven by an increase in the volume of work in the Maintenance and Construction Services segment. Gross profit margin for three and six months ended June 30, 2023 was 10.2% and 9.6%, compared 9.1% and 9.0% for the same periods in 2022.

SG&A expenses for the three and six months ended June 30, 2023 were $9,572 and $17,740, in comparison to $9,799 and $17,851 for the same periods in 2022, representing a decrease of 2.3% and 0.6%. As a percentage of revenue, SG&A expenses for the three and six months ended June 30, 2023 were 5.7% and 5.6% compared to 5.7% and 6.3% for the same periods in 2022. The decrease in SG&A as a percentage of revenue for the first half of the year is largely due to costs incurred in 2022 in relation to the Company's enterprise resource planning system implementation.

For the three and six months ended June 30, 2023, Adjusted EBITDAS was $7,894 and $13,338 compared to $7,908 and $10,914 for the same periods in 2022. As a percentage of revenue, Adjusted EBITDAS was 4.7% and 4.2% for the three and six months ended June 30, 2023 compared to 4.6% and 3.9% for the same periods in 2022.

Loss from continuing operations for the three and six months ended June 30, 2023 was $12,103 and $15,428 in comparison to a loss of $974 and $8,757 for the same periods in 2022. The variance was driven by the impairment of assets of $11,462 that was recorded in the second quarter of 2023 offset by the significant improvement in gross profit for the Maintenance and Construction Services segment.

LIQUIDITY AND CAPITAL RESOURCES

The Company has an asset-based revolving credit facility (the "ABL Facility") with a Canadian charted bank providing for maximum borrowings of up to to $50.0 million. The amount available under the ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of FLINT and certain of its subsidiaries. The maturity date of the ABL Facility is April 14, 2025.

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations and maintain compliance with its financial covenants through June 30, 2024.

As at June 30, 2023, the issued and outstanding share capital included 110,001,239 Common Shares, 127,732 Series 1 Preferred Shares, and 40,111 Series 2 Preferred Shares.

The Series 1 Preferred Shares (having an aggregate value of $127.732 million) are convertible at the option of the holder into Common Shares at a price of $0.35/share and the Series 2 Preferred Shares (having an aggregate value of $40.111 million) are convertible into Common Shares at a price of $0.10/share.

The Series 1 and Series 2 Preferred Shares have a 10% fixed cumulative preferential cash dividend payable when the Company has sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The Board of Directors of the Company does not intend to declare or pay any cash dividends until such times as the Company's balance sheet and liquidity position supports the payment. As at June 30, 2023, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $85.0 million. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 Preferred Shares.

On June 6, 2023, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages and sole holder of the Senior Secured Debentures, agreed to (i) accept the issuance of Senior Secured Debentures on June 30, 2023 with a principal amount of $4,812 in order to satisfy the interest that would otherwise become due and payable on such date (the "Payment in Kind Transaction") and (ii) amend the trust indenture governing the Senior Secured Debentures to, among other things, establish a mechanism by which the Company may request, and the holder of the Senior Secured Debentures may approve (at their sole discretion), the payment of interest owing on the Senior Secured Debentures on future interest payment dates in kind (the "Indenture Amendment"). On June 28, 2023, the Company entered into the Ninth Supplemental Senior Secured Indenture to affect the Payment in Kind Transaction and the Indenture Amendment.

OUTLOOK

The Bank of Canada (and central banks around the world) continues to raise interest rates in an effort to bring inflation back to its target level without pushing the economy into a recession. Despite these broad economic concerns, demand for our services from customers in the energy and industrial markets remains positive.

For our customers in the energy industry, the Organization of Petroleum Exporting Countries and its allies continue to provide support to world oil markets with further production cuts announced on July 4, 2023. At current commodity price levels, we anticipate continued high demand for our services as we see these customers starting to increase spending on both maintenance projects (to enhance operational reliability) and capital projects (to maintain or expand production capacity).

FLINT has continued to add new service offerings that encompass the full asset lifecycle and is now offering a suite of more than 40 services. Through the extensive regional coverage provided by our 19 operating facilities, we believe that FLINT is well-positioned to further consolidate the services required at various operating sites while generating efficiencies and cost reductions for our customers. We are also continually working to improve our service delivery to anticipate our customer's requirements and proactively meet their needs.

Additional Information

Our unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and the related Management's Discussion and Analysis of the operating and financial results can be accessed on our website at www.flintcorp.com and will be available shortly through SEDAR at www.sedar.com.

About FLINT Corp.

With a legacy of excellence and experience stretching back more than 100 years, FLINT provides solutions for the Energy and Industrial markets including: Oil & Gas, Petrochemical, Mining, Power, Agriculture, Forestry, Infrastructure and Water Treatment. With offices strategically located across Canada and a dedicated workforce, we provide maintenance, construction, wear technology and environmental services that keep our clients moving forward. For more information about FLINT, please visit www.flintcorp.com or contact:

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Advisory regarding Forward-Looking Information

Certain information included in this press release may constitute "forward-looking information" within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. This press release contains forward-looking information relating to: our business plans, strategies and objectives; contract renewals and project awards, including the estimated value thereof and the timing of completing the associated work; the demand for wear technology overlay and fabrication services; that customers will continue to allocate expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and facilities in Western Canada; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations and maintain compliance with our financial covenants through June 30, 2024; our dividend policy; the supply/ demand fundamentals for oil and natural gas and its impact on the demand for our services; and that broad economic concerns may negatively impact the spending plans of our customers.

Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including, but not limited to, compliance with debt covenants, access to credit facilities and other sources of capital for working capital requirements and capital expenditure needs, availability of labour, dependence on key personnel, economic conditions, commodity prices, interest rates, future actions by governmental authorities in response to Covid-19 or another pandemic, regulatory change, weather and risks related to the integration of acquired businesses. These factors should not be considered exhaustive. Risks and uncertainties about FLINT's business are more fully discussed in FLINT's disclosure materials, including its annual information form and management's discussion and analysis of the operating and financial results, filed with the securities regulatory authorities in Canada and available at www.sedar.com. In formulating the forward-looking information, management has assumed that business and economic conditions affecting FLINT will continue substantially in the ordinary course, including, without limitation, with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of FLINT consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect.

This forward-looking information is made as of the date of this press release, and FLINT does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

Advisory regarding Non-GAAP Financial Measures

The terms ''EBITDAS'' and "Adjusted EBITDAS" (collectively, the ''Non-GAAP financial measures'') are financial measures used in this press release that are not standard measures under IFRS. FLINT's method of calculating the Non-GAAP Financial Measures may differ from the methods used by other issuers. Therefore, the Non-GAAP Financial Measures, as presented, may not be comparable to similar measures presented by other issuers.

EBITDAS refers to income (loss) from continued operations in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery) and long-term incentive plan expenses. EBITDAS is used by management and the directors of FLINT as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDAS to monitor the performance of FLINT's reportable segments and believes that in addition to income (loss) from continued operations and cash provided by operating activities, EBITDAS is a useful supplemental measure from which to determine FLINT's ability to generate cash available for debt service, working capital, capital expenditures and income taxes. FLINT has provided a reconciliation of income (loss) from continuing operations to EBITDAS below.

Adjusted EBITDAS refers to EBITDAS excluding impairment of assets, restructuring expense, gain on sale of property, plant and equipment, loss (recovery) of contingent consideration liability and one time incurred expenses. FLINT has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS is a measure that management believes (i) is a useful supplemental measure from which to determine FLINT's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes, and (ii) facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. FLINT has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDAS below.

Investors are cautioned that the Non-GAAP Financial Measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the shares. These Non-GAAP Financial Measures should only be used with reference to FLINT's consolidated interim and annual financial statements, which are available on SEDAR at www.sedar.com or on FLINT's website at www.flintcorp.com.

Three months ended June 30,	Maintenance and Construction Services 2023	Maintenance and Construction Services 2022	Wear Technology Overlay Services 2023	Wear Technology Overlay Services 2022	Corporate 2023	Corporate 2022	Total 2023	Total 2022
Income (loss) from continuing operations	$ 13,063	$ 11,663	$ (10,363)	$ 1,193	$ (14,803)	$ (13,830)	$ (12,103)	$ (974)
Add:								
Amortization of intangible assets	15	28	115	115	—	—	130	143
Depreciation expense	1,737	1,695	659	643	184	253	2,580	2,591
Long-term incentive plan expense	—	—	—	—	1,050	—	1,050	—
Interest expense	159	221	171	53	4,324	3,963	4,654	4,237
EBITDAS	14,974	13,607	(9,418)	2,004	(9,245)	(9,614)	(3,689)	5,997
Add (deduct):								
Gain on sale of property, plant and equipment	(68)	(136)	—	—	—	—	(68)	(136)
Impairment of intangible assets and goodwill	—	—	7,289	—	—	—	7,289	—
Impairment of property, plant and equipment	—	—	4,173	—	—	—	4,173	—
Restructuring expenses	38	2	100	—	33	54	171	56
Other income	—	—	—	—	(110)	—	(110)	—
One-time incurred expenses		—	—	—	128	1,991	128	1,991
Adjusted EBITDAS	$ 14,944	$ 13,473	$ 2,144	$ 2,004	$ (9,194)	$ (7,569)	$ 7,894	$ 7,908

Six months ended	Maintenance and Construction Services		Wear Technology Overlay Services		Corporate		Total	
June 30,	2023	2022	2023	2022	2023	2022	2023	2022
Income (loss) from continuing operations	$ 22,351	$ 16,982	$ (9,259)	$ 2,664	$ (28,520)	$ (28,403)	$ (15,428)	$ (8,757)
Add:								
Amortization of intangible assets	32	56	230	230	—	—	262	286
Depreciation expense	3,443	3,372	1,334	1,280	399	503	5,176	5,155
Long-term incentive plan expense	—	—	—	—	2,045	—	2,045	—
Interest expense	351	442	249	138	8,410	7,529	9,010	8,109
EBITDAS	26,177	20,852	(7,446)	4,312	(17,666)	(20,371)	1,065	4,793
Add (deduct):								
Gain on sale of property, plant and equipment	(190)	(138)	—	—	—	—	(190)	(138)
Impairment of intangible assets and goodwill	—	—	7,289	—	—	—	7,289	—
Impairment of property, plant and equipment	—	—	4,173	—	—	—	4,173	—
Restructuring expenses	157	2	102	—	519	2,824	778	2,826
Other income	—	—	—	—	(110)	—	(110)	—
One-time incurred expenses		—	—	—	333	3,272	333	3,272
Loss on contingent consideration liability	—	—	—	—	—	161	—	161
Adjusted EBITDAS	$ 26,144	$ 20,716	$ 4,118	$ 4,312	$ (16,924)	$ (14,114)	$ 13,338	$ 10,914

Q2 MD&A 2023

Management's Discussion and Analysis

July 27, 2023

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, balance sheets and cash flows of FLINT Corp. ("FLINT" or the "Company") for the three and six months ended June 30, 2023 and 2022. This MD&A should be read in conjunction with FLINT's unaudited condensed consolidated interim financial statements and the notes thereto for the three and six months ended June 30, 2023 and 2022 and the audited consolidated financial statements for the years ended December 31, 2022 and 2021.

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The accompanying unaudited condensed consolidated interim financial statements of FLINT have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Directors of FLINT on the recommendation of its Audit Committee. This MD&A is dated July 27, 2023 and is current to that date unless otherwise indicated.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

This MD&A makes reference to certain measures that are not defined in IFRS and contains forward-looking information. These measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Advisory regarding Forward-Looking Information" and "Advisory regarding Non-GAAP Financial Measures".

References to "we", "us", "our" or similar terms, refer to FLINT, unless the context otherwise requires.

Reportable Segments

The two segments listed below represent the reportable segments that the chief operating decision maker considers when reviewing the performance of FLINT and deciding where to allocate resources.

FLINT's operations, assets and employees are mainly located in Canada with some activity in the United States through its Wear Technology Overlay segment. FLINT utilizes EBITDAS and Adjusted EBITDAS as performance measures for its segmented results. These measures are considered to be non-GAAP financial measures under IFRS.

Segment/Division	Business Description
Maintenance and Construction Services	Operational, maintenance, turnaround and construction services to the conventional oil and gas, oil sands, and other industries as well as abandonment, decommissioning, and reclamation services.
Wear Technology Overlay Services	Custom fabrication services supporting pipeline and infrastructure projects, and patented wear technology overlay services specializing in overlay pipe spools, pipe bends and plate.
Corporate Division	Provision of typical head office functions, including strategic planning, corporate communications, taxes, legal, marketing, finance, human resources and information technology.

Advisory regarding Forward-Looking Information

Certain information included in this MD&A may constitute “forward-looking information” within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. Specifically, this MD&A contains forward-looking information relating to: our business plans, strategies and objectives; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations and maintain compliance with our financial covenants through June 30, 2024; our dividend policy; the effect of known claims and litigation on our financial position and results of operations; the supply/demand fundamentals for oil and natural gas and its impact on the demand for our services; and that broad economic concerns may negatively impact the spending plans of our customers.

Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including, but not limited to, compliance with debt covenants, access to credit facilities and other sources of capital for working capital requirements and capital expenditure needs, availability of labour, dependence on key personnel, economic conditions, commodity prices, interest rates, future actions by governmental authorities in response to Covid-19 or another pandemic, regulatory change, weather and risks related to the integration of acquired businesses. These factors should not be considered exhaustive. Risks and uncertainties about FLINT’s business are more fully discussed in FLINT’s disclosure materials, including its annual information form and management’s discussion and analysis of the operating and financial results, filed with the securities regulatory authorities in Canada and available at www.sedar.com. In formulating the forward-looking information, management has assumed that business and economic conditions affecting FLINT will continue substantially in the ordinary course, including, without limitation, with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of FLINT consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management’s assumptions may prove to be incorrect.

This forward-looking information is made as of the date of this MD&A, and FLINT does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

Advisory regarding Non-GAAP Financial Measures

The terms ‘‘EBITDAS’’ and “Adjusted EBITDAS” (collectively, the ‘‘Non-GAAP Financial Measures’’) are financial measures used in this MD&A that are not standard measures under IFRS. FLINT’s method of calculating the Non-GAAP Financial Measures may differ from the methods used by other issuers. Therefore, the Non-GAAP Financial Measures, as presented, may not be comparable to similar measures presented by other issuers.

EBITDAS refers to income (loss) from continued operations in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery) and long-term incentive plan expenses. EBITDAS is used by management and the directors of FLINT as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDAS to monitor the performance of FLINT’s reportable segments and believes that in addition to income (loss) from continued operations and cash provided by operating activities, EBITDAS is a useful supplemental measure from which to determine FLINT’s ability to generate cash available for debt service, working capital, capital expenditures and income taxes. FLINT has provided a reconciliation of income (loss) from continuing operations to EBITDAS below.

Adjusted EBITDAS refers to EBITDAS excluding impairment of assets, restructuring expense, gain on sale of property, plant and equipment, loss (recovery) of contingent consideration liability and one time incurred expenses. FLINT has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS is a measure that management believes (i) is a useful supplemental measure from which to determine FLINT’s ability to generate cash available for debt service, working capital, capital expenditures, and income taxes, and (ii) facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. FLINT has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDAS below.

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SECOND QUARTER 2023 SUMMARY OF RESULTS – CONTINUING OPERATIONS

(In thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue	$ 168,567	$ 173,195	$ 319,046	$ 283,043
Cost of revenue	(151,307)	(157,494)	(288,418)	(257,602)
Gross profit	17,260	15,701	30,628	25,441
Selling, general and administrative expenses	(9,572)	(9,799)	(17,740)	(17,851)
Long-term incentive plan expense	(1,050)	—	(2,045)	—
Amortization of intangible assets	(130)	(143)	(262)	(286)
Depreciation expense	(2,580)	(2,591)	(5,176)	(5,155)
Income from long-term investments	78	15	117	52
Interest expense	(4,654)	(4,237)	(9,010)	(8,109)
Restructuring expenses	(171)	(56)	(778)	(2,826)
Impairment of intangible assets and goodwill	(7,289)	—	(7,289)	—
Impairment of property, plant and equipment	(4,173)	—	(4,173)	—
Loss on contingent consideration liability	—	—	—	(161)
Gain on sale of property, plant and equipment	68	136	190	138
Other income	110	—	110	—
Loss from continuing operations	(12,103)	(974)	(15,428)	(8,757)
Add:				
Amortization of intangible assets	130	143	262	286
Depreciation expense	2,580	2,591	5,176	5,155
Long-term incentive plan expense	1,050	—	2,045	—
Interest expense	4,654	4,237	9,010	8,109
EBITDAS [(1)]	(3,689)	5,997	1,065	4,793
Add (deduct):				
Gain on sale of property, plant and equipment	(68)	(136)	(190)	(138)
Impairment of intangible assets and goodwill	7,289	—	7,289	—
Impairment of property, plant and equipment	4,173	—	4,173	—
Restructuring expenses	171	56	778	2,826
Other income	(110)	—	(110)	—
One-time incurred expenses	128	1,991	333	3,272
Loss on contingent consideration liability	—	—	—	161
Adjusted EBITDAS [(1)]	$ 7,894	$ 7,908	$ 13,338	$ 10,914

(1) EBITDAS and Adjusted EBITDAS are not standard measures under IFRS and they are defined in the section "Advisory regarding Non-GAAP Financial Measures".

Net loss per share (dollars)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Basic & Diluted:				
Continuing operations	$ (0.11)	$ (0.01)	$ (0.14)	$ (0.08)
Net loss	$ (0.11)	$ (0.01)	$ (0.14)	$ (0.08)

Selected Balance Sheet Accounts	June 30, 2023	December 31, 2022
Total assets	$ 216,928	$ 233,978
ABL facility	5,863	9,334
Term loan facility	40,217	40,157
Senior secured debentures	124,002	119,048
Other secured borrowings	13,256	14,143
Shareholders' deficit	$ 57,661	$ 42,229

THREE MONTHS ENDED

Revenue for the three months ended June 30, 2023 was $168,567 compared to $173,195 for the same period in 2022, representing a decrease of 2.7%. The decrease in revenue relates to the record activity levels experienced in the second quarter of 2022 due to the completion of turnaround projects that were postponed during the COVID-19 pandemic.

Gross profit for the three months ended June 30, 2023 was $17,260 compared to $15,701 for the same period in 2022, representing an increase of 9.9%. Gross profit margin for the three months ended June 30, 2023 was 10.2% compared to 9.1% for the same period in 2022. The increase in gross profit was primarily driven by an increase in the gross profit margin in the Maintenance and Construction Services segment.

Selling, general and administrative ("SG&A") expenses for the three months ended June 30, 2023 were $9,572 in comparison to $9,799 for the same period in 2022, representing a decrease of 2.3%. As a percentage of revenue, SG&A expenses for the three months ended June 30, 2023 were 5.7%, consistent with the same period in 2022.

Non-cash items that impacted the 2023 results were depreciation, amortization and asset impairments. For the three months ended June 30, 2023, depreciation and amortization expenses were $2,710 compared to $2,734 for the same period in 2022. FLINT recognized an impairment of intangible assets, goodwill and property, plant and equipment ("PP&E") in the second quarter of 2023 of $11,462 in the Wear Technology Overlay Services segment as a result of increased competition, which has resulted in more competitive pricing, combined with higher costs for both materials and labour due to higher rates of inflation.

For the three months ended June 30, 2023, interest expenses were $4,654 compared to $4,237 for the same period in 2022, representing an increase of 9.8%. The increase in interest expense was primarily due to the increase in the principal amount of Senior Secured Debentures outstanding combined with the impact of higher interest rates on our variable interest rate loans.

Loss from continuing operations for the three months ended June 30, 2023 was $12,103 in comparison to $974 for the same period in 2022. The variance was driven primarily by the impairment of assets as noted above.

For the three months ended June 30, 2023, Adjusted EBITDAS was $7,894 compared to $7,908 for the same period in 2022. As a percentage of revenue, Adjusted EBITDAS was 4.7% for the three months ended June 30, 2023 compared to 4.6% for the same period in 2022.

SIX MONTHS ENDED

Revenue for the six months ended June 30, 2023 was $319,046 compared to $283,043 for the same period in 2022, representing an increase of 12.7%. The increase in revenue was driven by the continued market momentum in 2023, representing an increase in activity across all areas of the business with the largest increase occurring in the Maintenance and Construction Services segment.

Gross profit for the six months ended June 30, 2023 was $30,628 compared $25,441 for the same period in 2022, representing an increase of 20.4%. Gross profit margin for the six months ended June 30, 2023 was 9.6% compared to 9.0% for the same period in 2022. The increase in gross profit was primarily driven by an increase in the volume of work in the Maintenance and Construction Services segment.

SG&A expenses for the six months ended June 30, 2023 were $17,740 in comparison to $17,851 for the same period in 2022, representing a decrease of 0.6%. As a percentage of revenue, SG&A expenses for the six months ended June 30, 2023 were 5.6% compared to 6.3% for the same period in 2022. The decrease in SG&A as a percentage of revenue is largely due to costs incurred in 2022 in relation to the Company's enterprise resource planning system implementation.

Non-cash items that impacted the 2023 results were depreciation, amortization and asset impairments. For the six months ended June 30, 2023, depreciation and amortization expenses were $5,438 compared to $5,441 for the same period in 2022. For the six months ended June 30, 2023, impairment of intangible assets, goodwill and PP&E were $11,462 as a result of the impairment recorded in the second quarter of 2023.

For the six months ended June 30, 2023, interest expenses were $9,010 compared to $8,109 for the same period in 2022, representing an increase of 11.1%. The increase in interest expense was primarily due to the increase in the principal amount of Senior Secured Debentures outstanding combined with the impact of higher interest rates on our variable interest rate loans.

Restructuring expenses of $778 were recorded during the six months ended June 30, 2023 compared to $2,826 for the same period in 2022. The non-recurring restructuring expenses in 2022 were primarily related to a management change that occurred in March 2022.

Loss from continuing operations for the six months ended June 30, 2023 was $15,428 in comparison to $8,757 for the same period in 2022. The variance was driven by the impairment of assets of $11,462 that was recorded in the second quarter of 2023 offset by the significant improvement in gross profit for the Maintenance and Construction Services segment.

For the six months ended June 30, 2023, Adjusted EBITDAS was $13,338 compared to $10,914 for the same period in 2022. As a percentage of revenue, Adjusted EBITDAS was 4.2% for the six months ended June 30, 2023 compared to 3.9% for the same period in 2022.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue	$ 155,709	$ 160,266	$ 292,269	$ 259,701
Cost of revenue	(140,681)	(146,643)	(265,919)	(238,720)
Gross profit	15,028	13,623	26,350	20,981
Selling, general and administrative expenses	(162)	(165)	(323)	(317)
Amortization of intangible assets	(15)	(28)	(32)	(56)
Depreciation expense	(1,737)	(1,695)	(3,443)	(3,372)
Income from long-term investments	78	15	117	52
Interest expense	(159)	(221)	(351)	(442)
Restructuring expenses	(38)	(2)	(157)	(2)
Gain on sale of property, plant and equipment	68	136	190	138
Income from continuing operations	13,063	11,663	22,351	16,982
Add:				
Amortization of intangible assets	15	28	32	56
Depreciation expense	1,737	1,695	3,443	3,372
Interest expense	159	221	351	442
EBITDAS [(1)]	14,974	13,607	26,177	20,852
Add (deduct):				
Gain on sale of property, plant and equipment	(68)	(136)	(190)	(138)
Restructuring expenses	38	2	157	2
Adjusted EBITDAS [(1)]	$ 14,944	$ 13,473	$ 26,144	$ 20,716

(1) EBITDAS and Adjusted EBITDAS are not standard measures under IFRS and they are defined in the section "Advisory regarding Non-GAAP Financial Measures".

THREE MONTHS ENDED

Revenue

Revenue for the Maintenance and Construction Services segment was $155,709 for the three months ended June 30, 2023, compared to $160,266 for the same period in 2022, representing a decrease of 2.8%. The decrease in revenues was due to the record activity levels experienced in the second quarter of 2022 due to the completion of turnaround projects that were postponed during the COVID-19 pandemic. In addition, activity levels in the second quarter of 2023 were impacted by the wildfires in Alberta and British Columbia.

Gross Profit

Gross profit was $15,028 for the three months ended June 30, 2023, compared to $13,623 for the same periods in 2022, representing an increase of 10.3%. Gross profit margin was 9.7% for the three months ended June 30, 2023 compared to 8.5% for the same period in 2022. The increase in gross profit and gross profit margin was due to management's focus on operating efficiencies and cost discipline.

SIX MONTHS ENDED

Revenue

Revenue for the Maintenance and Construction Services segment was $292,269 for the six months ended June 30, 2023, compared to $259,701 for the same period in 2022, representing an increase of 12.5%. The increase in revenues was due to continued market momentum in 2023 driven primarily by strong commodity pricing.

Gross Profit

Gross profit was $26,350 for the six months ended June 30, 2023, compared to $20,981 for the same period in 2022, representing an increase of 25.6%. Gross profit margin was 9.0% for the six months ended June 30, 2023 compared to 8.1% for the same period in 2022. The increase in gross profit and gross profit margin was due to the increase in the volume of activity related to the market momentum in 2023 and management's focus on cost discipline. The Company continues to focus on consolidating various scopes of work with existing or new customers by bundling our services in order to enable more efficient execution and lower costs for our customers on each work site.

WEAR TECHNOLOGY OVERLAY SERVICES

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue	$ 13,001	$ 14,276	$ 26,930	$ 26,617
Cost of revenue	(10,769)	(12,198)	(22,652)	(22,157)
Gross profit	2,232	2,078	4,278	4,460
Selling, general and administrative expenses	(88)	(74)	(160)	(148)
Amortization of intangible assets	(115)	(115)	(230)	(230)
Depreciation expense	(659)	(643)	(1,334)	(1,280)
Interest expense	(171)	(53)	(249)	(138)
Restructuring expenses	(100)	—	(102)	—
Impairment of intangible assets and goodwill	(7,289)	—	(7,289)	—
Impairment of property, plant and equipment	(4,173)	—	(4,173)	—
Income from continuing operations	(10,363)	1,193	(9,259)	2,664
Add:				
Amortization of intangible assets	115	115	230	230
Depreciation expense	659	643	1,334	1,280
Interest expense	171	53	249	138
EBITDAS [(1)]	(9,418)	2,004	(7,446)	4,312
Add (deduct):				
Impairment of intangible assets and goodwill	7,289	—	7,289	—
Impairment of property, plant and equipment	4,173	—	4,173	—
Restructuring expenses	100	—	102	—
Adjusted EBITDAS [(1)]	$ 2,144	$ 2,004	$ 4,118	$ 4,312

(1) EBITDAS and Adjusted EBITDAS are not standard measures under IFRS and they are defined in the section "Advisory regarding Non-GAAP Financial Measures".

THREE MONTHS ENDED

Revenue

Revenue for the Wear Technology Overlay Services segment was $13,001 for the three months ended June 30, 2023, compared to $14,276 for the same period in 2022, representing a decrease of 8.9%. The decrease in revenue relates to the higher activity levels experienced in 2022 as the market was recovering from the COVID-19 pandemic.

Gross Profit

Gross profit was $2,232 for the three months ended June 30, 2023, compared to $2,078 for the same period in 2022, representing an increase of 7.4%. Gross profit margin was 17.2% for the three months ended June 30, 2023, compared to 14.6% for the same period in 2022. The increase in gross profit and gross profit margin were primarily due the mix of work compared to the same period in 2022.

SIX MONTHS ENDED

Revenue

Revenue for the Wear Technology Overlay Services segment was $26,930 for the six months ended June 30, 2023, compared to $26,617 for the same period in 2022, representing an increase of 1.2%.

Gross Profit

Gross profit was $4,278 for the six months ended June 30, 2023, compared to $4,460 for the same period in 2022, representing a decrease of 4.1%. Gross profit margin was 15.9% for the six months ended June 30, 2023, compared to 16.8% for the same period in 2022. The decrease in gross profit and gross profit margin was primarily due to the mix of business, job margins being lower for certain projects and an increase in material, labour and utility costs.

CORPORATE

FLINT's head office functions are located in Calgary, Alberta. The Corporate division provides typical head office functions, including strategic planning, corporate communications, taxes, legal, marketing, finance, human resources and information technology, for the entire organization. The tables below reflect the costs of FLINT's corporate function, as well as other corporate overhead expenses.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Selling, general and administrative expenses	$ (9,322)	$ (9,560)	$ (17,257)	$ (17,386)
Long-term incentive plan expense	(1,050)	—	(2,045)	—
Depreciation expense	(184)	(253)	(399)	(503)
Interest expense	(4,324)	(3,963)	(8,410)	(7,529)
Restructuring expenses	(33)	(54)	(519)	(2,824)
Loss on contingent consideration liability	—	—	—	(161)
Other income	110	—	110	—
Loss from continuing operations	(14,803)	(13,830)	(28,520)	(28,403)
Add:				
Depreciation expense	184	253	399	503
Long-term incentive plan expense	1,050	—	2,045	—
Interest expense	4,324	3,963	8,410	7,529
EBITDAS (1)	(9,245)	(9,614)	(17,666)	(20,371)
Add (deduct):				
Restructuring expenses	33	54	519	2,824
Other income	(110)	—	(110)	—
One-time incurred expenses	128	1,991	333	3,272
Loss on contingent consideration liability	—	—	—	161
Adjusted EBITDAS (1)	$ (9,194)	$ (7,569)	$ (16,924)	$ (14,114)

(1) EBITDAS and Adjusted EBITDAS are not standard measures under IFRS and they are defined in the section "Advisory regarding Non-GAAP Financial Measures".

THREE MONTHS ENDED

Selling, General and Administrative Expenses

SG&A expenses for the Corporate division were $9,322 for the three months ended June 30, 2023 compared to $9,560 for the same period in 2022. SG&A expenses as a percentage of revenue were 5.5% for the three months ended June 30, 2023 which is consistent with the same period in 2022.

SIX MONTHS ENDED

Selling, General and Administrative Expenses

SG&A expenses for the Corporate division were $17,257 for the six months ended June 30, 2023 compared to $17,386 for the same period in 2022. SG&A expenses as a percentage of revenue were 5.4% for the six months ended June 30, 2023 compared to 6.1% for the same period in 2022. The decrease in SG&A as a percentage of revenue is largely due to costs incurred in 2022 in relation to the Company's enterprise resource planning system implementation.

LIQUIDITY AND CAPITAL RESOURCES

For six months ended June 30,	2023	2022
Cash flow provided by (used in) operating activities	$ 6,905	$ (26,218)
Cash flow (used in) investing activities	(960)	(1,029)
Cash flow (used in) provided by financing activities	(8,679)	8,675
Consolidated cash, end of period	$ 400	$ 3,108

Operating Activities

Cash flow provided by operating activities in 2023 is a result of improved operating results in the Maintenance and Construction Services segment.

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations and maintain compliance with its financial covenants through June 30, 2024.

Investing Activities

Cash flow used in investing activities during the three and six months ended June 30, 2023 consisted of the purchase of property, plant and equipment assets, partially offset by proceeds from the disposal of certain property, plant and equipment assets.

Financing Activities

a. ABL Facility

FLINT has an asset-based revolving credit facility (the "ABL Facility") providing for maximum borrowings up to $50,000 with a Canadian chartered bank (the "Lender"). The ABL Facility matures on April 14, 2025.

The amount available under the ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of the Company. The ABL Facility borrowing base as at June 30, 2023 was $50,000 (December 31, 2022 - $43,750). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable of the Company and the other guarantors, being certain of the Company's direct subsidiaries. The interest rate on the ABL Facility is the Lender's prime rate plus 2.5% (December 31, 2022 - Lender's prime rate plus 2.5%).

As at June 30, 2023, $6,306 (December 31, 2022 - $9,885) was drawn on the ABL Facility, and there were $2,147 (December 31, 2022 - $2,147) of letters of credit reducing the amount available to be drawn. As at June 30, 2023, the net amount of deferred financing costs were $443 (December 31, 2022 - $551).

The financial covenants applicable under the ABL Facility are as follows:

- The Company must maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal quarter; and
- For each fiscal year, the Company must not expend or become obligated for (i) any capital expenditures in an aggregate amount exceeding $10,000 and (ii) any non-financed capital expenditures in an aggregate amount exceeding $4,000.

As at June 30, 2023, FLINT was in compliance with all financial covenants under the ABL Facility.

b. Term Loan Facility

FLINT has a term loan facility providing for maximum borrowings of up to $40,500 (the “Term Loan Facility”) with Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages (“Canso”). The Term Loan Facility matures on the earlier of (a) the date that is 180 days following the maturity date of the ABL Facility and (b) October 14, 2025.

As at June 30, 2023, $40,500 (December 31, 2022 - $40,500) was outstanding under the Term Loan Facility. The Term Loan Facility is required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is a fixed rate of 8.0% (December 31, 2022 - fixed rate of 8.0%). The net amount of deferred financing costs were $283 as at June 30, 2023 (December 31, 2022 - $343).

c. Other Secured Borrowings

On June 26, 2019, the Company received $19,000 from two secured loans with the Business Development Bank of Canada (“BDC”) as a partial source of funds for the acquisition of certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business").

The $13,500 loan has monthly payments of $45, with the final payment to occur on October 2, 2045. The interest rate on the loan is the BDC Floating Base Rate less 1.0%. Interest accrues and is payable monthly. The Company allocated $195 in deferred financing costs to this loan that will be amortized over the life of the loan.

The $5,500 loan has monthly payments of $75, with the final payment to occur on March 28, 2025. The interest rate on the loan is the BDC Floating Base Rate less 0.5%. Interest accrues and is payable monthly. The Company allocated $85 in deferred financing costs to this loan that will be amortized over the life of the loan.

The loans are secured by a first security interest on the real property and equipment acquired through the acquisition of the AECOM PSD Business and a security interest in all other present and future property, subject to the priorities granted to existing lenders under the ABL Facility, the Term Loan Facility, the senior secured debentures and other existing commitments.

The loan agreements with BDC require the Company to maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal year.

As at June 30, 2023, FLINT was in compliance with all financial covenants under the loan agreements with BDC.

d. Senior Secured Debentures

On March 23, 2016, the Company issued 8.0% senior secured debentures due March 23, 2026 (the "Senior Secured Debentures") pursuant to a trust indenture between FLINT, as issuer, and BNY Trust Company of Canada, as debenture trustee, as amended and supplemented (the "Senior Secured Indenture"), on a private placement basis to Canso. On June 2, 2020, the debenture trustee was changed to Computershare Trust Company of Canada.

The Senior Secured Debentures bear interest at an annual rate of 8.0% payable in arrears on June 30 and December 31 of each year. The Senior Secured Debentures are redeemable at the option of the Company and, in certain circumstances, are mandatorily redeemable. The Senior Secured Debentures are secured by first-ranking liens over all of the property of the Company and its guarantor subsidiaries, other than certain limited classes of collateral over which the Company has granted a prior-ranking lien in favour of the ABL Facility, the Term Loan Facility and the other secured loans.

The Senior Secured Debentures provide for certain events of default and covenants of the Company, including financial and reporting covenants and restrictive covenants limiting the ability of the Company and its subsidiaries to make certain distributions and dispositions, incur indebtedness, grant liens and limitations with respect to acquisitions, mergers, investments, non-arm’s length transactions, reorganizations and hedging arrangements (subject to certain exceptions).

On June 6, 2023, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages and sole holder of the Senior Secured Debentures, agreed to (i) accept the issuance of Senior Secured Debentures on June 30, 2023 with a principal amount of $4,812 in order to satisfy the interest that would otherwise become due and payable on such date (the “Payment in Kind Transaction”) and (ii) amend the trust indenture governing the Senior Secured Debentures to, among other things, establish a mechanism by which the Company may request, and the holder of the Senior Secured Debentures may approve (at their sole discretion), the payment of interest owing on the Senior Secured Debentures on future interest payment dates in kind (the “Indenture Amendment”). On June 28, 2023, the Company entered into the Ninth Supplemental Senior Secured Indenture to affect the Payment in Kind Transaction and the Indenture Amendment.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

FLINT prepares its consolidated financial statements in accordance with IFRS. The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Based on the current environment, significant market uncertainty exists that could impact the estimates and assumptions made by FLINT. Significant accounting policies and methods used in the preparation of the consolidated financial statements, including use of estimates and judgments, are described in note 1 of the annual consolidated financial statements for the year ended December 31, 2022.

CONTINGENCIES

Contingencies are provided for when they are likely to occur and can be reasonably estimated. FLINT is subject to claims and litigation proceedings arising in the normal course of operations. The known claims and litigation proceedings are not expected to materially affect the Company's financial position or reported results of operations.

SUMMARY OF QUARTERLY RESULTS

(In thousands of Canadian dollars, except per share amount)

	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3
Revenue ($)	168,567	150,479	149,747	171,883	173,195	109,848	101,955	108,647
Gross Profit ($)	17,260	13,368	17,075	20,617	15,701	9,740	9,728	12,124
Gross Profit Margin (%)	10.2%	8.9%	11.4%	12.0%	9.1%	8.9%	9.5%	11.2%
Net (loss) income from continuing operations ($)	(12,103)	(3,325)	(4,848)	1,174	(974)	(7,783)	5	(2,227)
Net (loss) income ($)	(12,107)	(3,325)	(5,379)	1,172	(976)	(7,796)	4	(2,228)
Net (loss) income per share from continuing operations ($)	(0.11)	(0.03)	(0.04)	0.01	(0.01)	(0.07)	0.00	(0.02)
Net (loss) income per share ($)	(0.11)	(0.03)	(0.05)	0.01	(0.01)	(0.07)	0.00	(0.02)

FLINT's revenues are somewhat seasonal, in particular for the Maintenance and Construction Services segment. Typically, there are scheduled shutdown turnaround projects in the spring and fall which increase revenues over and above the standard maintenance and operational support services. In 2022, larger volumes were experienced in the second and third quarter of 2022 due to the completion of turnaround projects that were postponed during the COVID-19 pandemic.

TRANSACTIONS WITH RELATED PARTIES

As at June 30, 2023, directors and officers beneficially held an aggregate of 7,632,907 Common Shares, representing approximately 6.9% of the issued and outstanding Common Shares.

SHARE CAPITAL

The authorized share capital of the Company consists of: (i) an unlimited number of Common Shares, and (ii) Preferred Shares issuable in series to be limited in number to an amount equal to not more than one half of the issued and outstanding Common Shares at the time of issuance of such Preferred Shares.

The following table summarizes the number of Preferred and Common Shares:

	Preferred Shares		Common
	Series 1	Series 2	Shares
Balance as at December 31, 2022	127,732	40,111	110,001,239
Balance as at June 30, 2023	127,732	40,111	110,001,239

The Series 1 and Series 2 Preferred Shares have a 10.0% fixed cumulative preferential cash dividend payable when the Company shall have sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The Board of Directors of the Company does not intend to declare or pay any cash dividends until such time as the Company's balance sheet and liquidity position supports the payment. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 Preferred Shares.

As at June 30, 2023, the accrued and unpaid dividends on the Series 1 and Series 2 Preferred Shares totaled $84,994 (December 31, 2022 - $76,671). Assuming that the holders of the Preferred Shares exercise the right to convert such accrued and unpaid dividends into additional Preferred Shares and then convert such Preferred Shares into Common Shares, approximately 357,664,082 (December 31, 2022 - 319,675,972) Common Shares would be issued, which represents approximately 325.2% (December 31, 2022 - 290.6%) of the Common Shares outstanding as at June 30, 2023.

In addition, holders of the Series 1 and Series 2 Preferred Shares have the right, at their option, to convert their Preferred Shares into Common Shares at a price of $0.35 and $0.10 per Common Share, respectively, subject to adjustment in certain circumstances. During the six months ended June 30, 2023, no Series 1 or Series 2 Preferred Shares were converted into Common Shares (year ended December 31, 2022 - 8,571 Common Shares were issued upon the conversion of three Series 1 Preferred Shares).

The Series 1 and Series 2 Preferred Shares are redeemable by the Company for cash at 110% of the purchase price for such shares, plus accrued but unpaid dividends, once all of the outstanding Senior Secured Debentures have been repaid and are subject to repayment in the event of certain change of control transactions.

Based upon the conversion rights of the Series 1 and Series 2 Preferred Shares there could be significant dilution to the current holders of Common Shares. Up to approximately 766,059,000 (December 31, 2022 - 766,059,000) additional Common Shares would be issuable upon conversion of the face amount of the Preferred Shares into Common Shares, representing approximately 696.4% (December 31, 2022 - 696.4%) of the Common Shares outstanding as at June 30, 2023.

As the terms of the Preferred Shares do not create an unavoidable obligation to pay cash, the Preferred Shares are accounted for within shareholders' deficit, net of transaction costs.

OUTLOOK

The Bank of Canada (and central banks around the world) continues to raise interest rates in an effort to bring inflation back to its target level without pushing the economy into a recession. Despite these broad economic concerns, demand for our services from customers in the energy and industrial markets remains positive.

For our customers in the energy industry, the Organization of Petroleum Exporting Countries and its allies continue to provide support to world oil markets with further production cuts announced on July 4, 2023. At current commodity price levels, we anticipate continued high demand for our services as we see these customers starting to increase spending on both maintenance projects (to enhance operational reliability) and capital projects (to maintain or expand production capacity).

FLINT has continued to add new service offerings that encompass the full asset lifecycle and is now offering a suite of more than 40 services. Through the extensive regional coverage provided by our 19 operating facilities, we believe that FLINT is well-positioned to further consolidate the services required at various operating sites while generating efficiencies and cost reductions for our customers. We are also continually working to improve our service delivery to anticipate our customer’s requirements and proactively meet their needs.

RISK FACTORS

The Company's risk factors have not changed materially from those disclosed in the "Risk Factors" section of the MD&A for the year ended December 31, 2022.

For additional information regarding the risks that the Company is exposed to, see the disclosure provided under the heading “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2022, which is available on the SEDAR website at www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

We are required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". This instrument requires us to disclose in our interim MD&A any weaknesses in or changes to our internal control over financial reporting during the period that may have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We confirm that no such weaknesses were identified in, or changes were made to, internal controls over financial reporting during the six months ended June 30, 2023.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ADDITIONAL INFORMATION

Additional information relating to the Company is available in the Company's Annual Information Form for the year ended December 31, 2022.

Q2 FINANCIAL STATEMENTS 2023

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF

FLINT CORP.

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Notes	June 30, 2023	December 31, 2022
Assets			
Cash	8	$ 400	$ 3,134
Accounts receivable	8	152,817	159,371
Inventories		6,857	5,729
Prepaid expenses		2,827	2,441
Total current assets		162,901	170,675
Property, plant and equipment	2	51,847	53,689
Goodwill and intangible assets	3	1,594	9,145
Long-term investments		586	469
Total assets		**$ 216,928**	**$ 233,978**
Liabilities and shareholders' deficit			
Accounts payable and accrued liabilities		$ 54,665	$ 57,893
Current portion of lease liabilities		7,957	8,447
Current portion of long-term incentive plan liability		2,492	2,814
Current portion of other secured borrowings	4	1,437	1,437
Total current liabilities		66,551	70,591
Long-term incentive plan liability		1,718	2,487
ABL facility	4	5,863	9,334
Term loan facility	4	40,217	40,157
Lease liabilities		24,419	21,884
Other secured borrowings	4	11,819	12,706
Senior secured debentures	4	124,002	119,048
Total liabilities		274,589	276,207
Common shares	7	462,057	462,057
Preferred shares	7	141,930	141,930
Contributed surplus		20,679	20,679
Deficit		(682,327)	(666,895)
Total shareholders' deficit		(57,661)	(42,229)
Total liabilities and shareholders' deficit		**$ 216,928**	**$ 233,978**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Consolidated Interim Statements of Loss and Comprehensive Loss

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue	5	$ 168,567	$ 173,195	$ 319,046	$ 283,043
Cost of revenue		(151,307)	(157,494)	(288,418)	(257,602)
Gross profit		17,260	15,701	30,628	25,441
Selling, general and administrative expenses	6	(9,572)	(9,799)	(17,740)	(17,851)
Long-term incentive plan expense		(1,050)	—	(2,045)	—
Amortization of intangible assets		(130)	(143)	(262)	(286)
Depreciation expense	2	(2,580)	(2,591)	(5,176)	(5,155)
Income from long-term investments		78	15	117	52
Interest expense		(4,654)	(4,237)	(9,010)	(8,109)
Restructuring expenses		(171)	(56)	(778)	(2,826)
Impairment of goodwill and intangible assets	3	(7,289)	—	(7,289)	—
Impairment of property, plant and equipment	2	(4,173)	—	(4,173)	—
Loss on contingent consideration liability		—	—	—	(161)
Gain on sale of property, plant and equipment		68	136	190	138
Other income		110	—	110	—
Loss from continuing operations		(12,103)	(974)	(15,428)	(8,757)
Loss from discontinued operations (net of income taxes)		(4)	(2)	(4)	(15)
Net loss and comprehensive loss		**$ (12,107)**	**$ (976)**	**$ (15,432)**	**$ (8,772)**
Net loss per share (dollars)					
Basic & diluted:					
Continuing operations		$ (0.11)	$ (0.01)	$ (0.14)	$ (0.08)
Net loss		$ (0.11)	$ (0.01)	$ (0.14)	$ (0.08)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Consolidated Interim Statements of Shareholders' Deficit

(In thousands of Canadian dollars, except number of shares)

(Unaudited)

	Notes	Number of Common Shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
December 31, 2022		110,001,239	$ 462,057	$ 141,930	$ 20,679	$ (666,895)	$ (42,229)
Net loss		—	—	—	—	(15,432)	(15,432)
At June 30, 2023		110,001,239	$ 462,057	$ 141,930	$ 20,679	$ (682,327)	$ (57,661)

	Notes	Number of Common Shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
December 31, 2021		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (653,916)	$ (29,250)
Net loss		—	—	—	—	(8,772)	(8,772)
Conversion of Preferred Shares to Common Shares	7	8,571	3	(3)	—	—	—
At June 30, 2022		110,001,239	$ 462,057	$ 141,930	$ 20,679	$ (662,688)	$ (38,022)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

For six months ended June 30,	Notes	2023	2022
Operating activities:			
Net loss		$ (15,432)	$ (8,772)
Adjustments for:			
Long-term incentive plan expense		2,045	—
Amortization of intangible assets	3	262	286
Depreciation expense	2	5,176	5,155
Income from long-term investment		(117)	(52)
Accretion expense		142	141
Non-cash interest expense	4	4,812	4,449
Impairment of goodwill and intangible assets	3	7,289	—
Impairment of property, plant and equipment	2	4,173	—
Amortization of deferred financing costs	4	179	68
Loss on contingent consideration liability		—	161
Gain on sale of property, plant and equipment		(190)	(138)
Other income		(110)	—
Changes in non-cash working capital		(1,324)	(27,516)
Cash flow provided by (used in) operating activities		6,905	(26,218)
Investing activities:			
Purchase of property, plant and equipment		(1,813)	(967)
Net proceeds on disposal of property, plant and equipment		853	371
Payment of deferred consideration		—	(433)
Cash flow (used in) investing activities		(960)	(1,029)
Financing activities:			
Increase in restricted cash		—	(3,200)
Repayment of other secured borrowings		(887)	(720)
(Decrease) increase in ABL facility	4	(3,579)	17,760
Refinancing fees		(11)	(979)
Repayment of lease liabilities		(4,202)	(4,186)
Cash flow (used in) provided by financing activities		(8,679)	8,675
Decrease in cash		(2,734)	(18,572)
Cash, beginning of period		3,134	21,680
Cash, end of period		$ 400	$ 3,108

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

(Unaudited)

Reporting entity

FLINT Corp. ("FLINT" or the "Company") is a corporation formed pursuant to the Business Corporations Act (Alberta). The head office is located at Bow Valley Square 2, Suite 3500, 205 - 5th Avenue S.W., Calgary, Alberta T2P 2V7. FLINT is a leading provider of maintenance, turnaround and construction services to the energy and industrial markets, including oil and gas (upstream, midstream and downstream), petrochemical, mining, power, agriculture, forestry, infrastructure and water treatment. FLINT's services include maintenance and turnarounds, facility construction, fabrication, modularization and machining, wear technologies and weld overlays, pipeline installation and integrity, electrical and instrumentation, workforce supply, heavy equipment operators, and environmental services.

These unaudited condensed consolidated interim financial statements ("interim financial statements") were authorized for issuance in accordance with a resolution of the Board of Directors of FLINT passed on July 27, 2023.

1. Significant accounting policies

a. Basis of presentation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information normally disclosed in annual consolidated financial statements has been omitted or condensed. The interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2022. There have been no significant changes in accounting policies compared to those described in the most recent annual consolidated financial statements.

These interim financial statements have been prepared on an historical cost basis and presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

2. Property, plant and equipment

	Land and buildings	Computer hardware	Furniture, tools and equipment	Leasehold improve-ments	Right-of-use assets	Automotive and heavy equipment	Total
Cost							
As at December 31, 2022	$ 18,491	$ 1,880	$ 15,484	$ 732	$ 45,646	$ 45,509	$ 127,742
Additions	—	—	1,355	52	1,709	406	3,522
Remeasurement	—	—	—	—	4,648	—	4,648
Disposals	—	—	(7)	—	(100)	(1,776)	(1,883)
Asset class transfer	—	—	—	—	(1,158)	1,158	—
As at June 30, 2023	$ 18,491	$ 1,880	$ 16,832	$ 784	$ 50,745	$ 45,297	$ 134,029
Accumulated depreciation and impairment							
As at December 31, 2022	$ 2,427	$ 1,285	$ 11,292	$ 295	$ 26,287	$ 32,467	$ 74,053
Depreciation	288	95	480	64	3,078	1,171	5,176
Disposals	—	—	(7)	—	(71)	(1,142)	(1,220)
Impairment	—	—	478	—	1,608	2,087	4,173
Asset class transfer	—	—	—	—	(979)	979	—
As at June 30, 2023	$ 2,715	$ 1,380	$ 12,243	$ 359	$ 29,923	$ 35,562	$ 82,182
Net book value							
As at December 31, 2022	$ 16,064	$ 595	$ 4,192	$ 437	$ 19,359	$ 13,042	$ 53,689
As at June 30, 2023	$ 15,776	$ 500	$ 4,589	$ 425	$ 20,822	$ 9,735	$ 51,847

Right-of-use assets consist of the following:

	Land and buildings	Furniture, tools and equipment	Automotive and heavy equipment	Total
Cost				
As at December 31, 2022	$ 36,035	$ 69	$ 9,542	$ 45,646
Additions	—	—	1,709	1,709
Remeasurement	4,648	—	—	4,648
Disposals	—	—	(100)	(100)
Asset class transfer	—	—	(1,158)	(1,158)
As at June 30, 2023	$ 40,683	$ 69	$ 9,993	$ 50,745
Accumulated depreciation and impairment				
As at December 31, 2022	$ 24,652	$ 67	$ 1,568	$ 26,287
Depreciation	1,999	1	1,078	3,078
Disposals	—	—	(71)	(71)
Impairment	1,608	—	—	1,608
Asset class transfer	—	—	(979)	(979)
As at June 30, 2023	$ 28,259	$ 68	$ 1,596	$ 29,923
Net book value				
As at December 31, 2022	$ 11,383	$ 2	$ 7,974	$ 19,359
As at June 30, 2023	$ 12,424	$ 1	$ 8,397	$ 20,822

During the second quarter of 2023, the Company exercised an option to extend the term of a building lease for an additional 60 months to April 30, 2030 (original termination date of April 30, 2025). This amendment to the lease agreement represents a lease modification in accordance with IFRS 16, and therefore the lease liability and right-of-use asset were remeasured during the quarter. This remeasurement resulted in an increase to the lease liability and related right-of-use asset of $4,452, which is included the $4,648 above. The lease extension will impact future cash flows for the extension period, with fixed payments of $109 per month in the first year of the extension, increasing to $112 per month in year five.

FLINT has four cash-generating units ("CGUs") (December 31, 2022 - five). As at March 31, 2023, management assessed and combined the Universal Weld Overlay and the Wear Technology CGUs into one CGU named Wear Technology Overlay ("WTO") as a result of the chief operating decision makers monitoring and evaluating cash inflows on a combined basis.

On June 30, 2023 FLINT identified indicators of impairment for the WTO CGU as a result of an increase in market competition resulting in more competitive pricing and increased cost for both materials and labour due to higher rates of inflation. These factors have a significant negative impact on operating profit for WTO. In addition, certain of FLINT's customers' capital spending budgets have been reduced in the near-term and there is significant uncertainty as to the scale and duration of these developments.

As a result, management performed an impairment test as at June 30, 2023 for the WTO CGU. Based on the results of this test, the Company concluded that the recoverable amount of the WTO CGU was $18.0 million which exceeded its carrying amount by $11.5 million. The impairment was allocated to goodwill, and then to the intangible and long-lived assets within the WTO CGU. The carrying amount of the WTO CGU prior to the impairment was $29.5 million.

FLINT assessed all of the other CGUs for any indicators of impairment at June 30, 2023, and determined that no further impairment testing was required.

Valuation technique

The recoverable amount of the WTO CGU was calculated based on fair value less costs of disposal, which is considered to be a level 3 fair value measurement. The fair value less costs of disposal is determined through a discounted cash flow ("DCF") approach which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about earnings before interest, taxes, depreciation and amortization ("EBITDA"), capital expenditures, growth rates, working capital and discount rates.

Projected EBITDA and capital expenditures

Projected EBITDA and capital expenditures are based on FLINT's internal forecasts for the remainder of the year and take into consideration current year performance relative to budget, economic trends and market/industry trends at the time the forecast is developed. The annual budget is developed during the fourth quarter of the previous year and is updated quarterly by senior management based on actual results. Anticipated future cash flows are updated to reflect any subsequent changes in expected demand for products and services.

Decreased demand can lead to a decline in EBITDA. A decrease in EBITDA by 10% would result in a further impairment in the WTO CGU. As at June 30, 2023, projected EBITDA decreased by approximately 30% from the approved budget developed in the fourth quarter of 2022 resulting in an impairment.

Growth rate and terminal value

FLINT used projected EBITDA and capital expenditures as noted above and applied a perpetual long-term growth rate of 3% in years 2 through 5 and a terminal growth rate of 2% thereafter for the WTO CGU. The perpetual growth rates are management's estimate of long-term inflation and productivity growth in the industry and geographic locations in which it operates.

Management does not believe that a reasonably possible change in the perpetual long-term growth rate for the WTO CGU would result in a further impairment.

Discount rate

FLINT assumed post-tax discount rates of 19.75% in order to calculate the present value of projected future cash flows. The discount rates represent a weighted average cost of capital ("WACC"), which is an estimate of the overall required rate of return on an investment for both debt and equity owners. The WACC serves as the basis for developing an appropriate discount rate, adjusted for risks specific to each CGU.

Management does not believe that a reasonably possible change in the post-tax discount rate for the WTO CGU would result in a further impairment.

Impairment by asset class

Allocated to	Property, plant and equipment	Right-of-use assets	Goodwill and intangibles [(1)]	Total
Wear Technology Overlay	2,565	1,608	7,289	11,462

(1) See Note 3 Goodwill and intangible assets.

3. Goodwill and intangible assets

	Goodwill	Customer relationships	Computer software	Brands	Intangible Total	Total
Cost						
Balance as at December 31, 2022	$ 100,681	$ 33,245	$ 3,377	$ 16,487	$ 53,109	$ 153,790
Additions	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
Balance as at June 30, 2023	$ 100,681	$ 33,245	$ 3,377	$ 16,487	$ 53,109	$ 153,790
Amortization and impairment						
Balance as at December 31, 2022	$ 96,384	$ 30,341	$ 3,247	$ 14,673	$ 48,261	$ 144,645
Amortization	—	200	47	15	262	262
Disposals	—	—	—	—	—	—
Impairment	4,297	1,238	—	1,754	2,992	7,289
Balance as at June 30, 2023	$ 100,681	$ 31,779	$ 3,294	$ 16,442	$ 51,515	$ 152,196
Net book value						
As at December 31, 2022	$ 4,297	$ 2,904	$ 130	$ 1,814	$ 4,848	$ 9,145
As at June 30, 2023	$ —	$ 1,466	$ 83	$ 45	$ 1,594	$ 1,594

As at June 30, 2023, the WTO CGU had indefinite life intangible assets of nil (December 31, 2022 - $1,574) and goodwill of nil (December 31, 2022 - $4,297). FLINT has one CGU with intangible assets with an indefinite life. Goodwill is monitored by management at the CGU level.

On June 30, 2023, FLINT identified indicators of impairment for the WTO CGU and performed an impairment test which resulted in a write down of the goodwill and intangible assets of the CGU to align with their recoverable amounts. See Note 2 for additional details.

4. ABL facility, term loan facility and other borrowings

a. ABL Facility

On April 14, 2022, the Company completed the refinancing of a new $25,000 asset-based revolving credit facility with a three-year term to replace its existing $15,000 Revolving Facility that was to mature on April 14, 2022. Pursuant to an amending agreement dated June 23, 2022, the ABL Facility was amended to increase the maximum borrowings available thereunder to $30,000 during the period commencing on June 23, 2022 and ending on November 30, 2022. Pursuant to a second amending agreement dated October 5, 2022, the ABL Facility was further amended to increase the maximum borrowings available thereunder to $50,000 through maturity on April 14, 2025.

The amount available under the ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of the Company. The ABL Facility borrowing base as at June 30, 2023 was $50,000 (December 31, 2022 - $43,750). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable of the Company and the other guarantors, being certain of the Company's direct subsidiaries. The interest rate on the ABL Facility is the Lender's prime rate plus 2.5% (December 31, 2022 - Lender's prime rate plus 2.5%).

As at June 30, 2023, $6,306 (December 31, 2022 - $9,885) was drawn on the ABL Facility, and there were $2,147 (December 31, 2022 - $2,147) of letters of credit reducing the amount available to be drawn. As at June 30, 2023, the net amount of deferred financing costs were $443 (December 31, 2022 - $551).

The financial covenants applicable under the ABL Facility are as follows:

- The Company must maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal quarter; and
- For each fiscal year, the Company must not expend or become obligated for (i) any capital expenditures in an aggregate amount exceeding $10,000 and (ii) any non-financed capital expenditures in an aggregate amount exceeding $4,000.

As at June 30, 2023, FLINT was in compliance with all financial covenants under the ABL Facility.

b. Term Loan Facility

FLINT has a term loan facility providing for maximum borrowings of up to $40,500 (the “Term Loan Facility”) with Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages (“Canso”). The Term Loan Facility matures on the earlier of (a) the date that is 180 days following the maturity date of the ABL Facility and (b) October 14, 2025.

As at June 30, 2023, $40,500 (December 31, 2022 - $40,500) was outstanding under the Term Loan Facility. The Term Loan Facility is required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is a fixed rate of 8.0% (December 31, 2022 - fixed rate of 8.0%). The net amount of deferred financing costs were $283 as at June 30, 2023 (December 31, 2022 - $343).

c. Other Secured Borrowings

On June 26, 2019, the Company received $19,000 from two secured loans with the Business Development Bank of Canada (“BDC”) as a partial source of funds for the acquisition of certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business").

The $13,500 loan has monthly payments of $45, with the final payment to occur on October 2, 2045. The interest rate on the loan is the BDC Floating Base Rate less 1.0%. Interest accrues and is payable monthly. The Company allocated $195 in deferred financing costs to this loan that will be amortized over the life of the loan.

The $5,500 loan has monthly payments of $75, with the final payment to occur on March 28, 2025. The interest rate on the loan is the BDC Floating Base Rate less 0.5%. Interest accrues and is payable monthly. The Company allocated $85 in deferred financing costs to this loan that will be amortized over the life of the loan.

The loans are secured by a first security interest on the real property and equipment acquired through the acquisition of the AECOM PSD Business and a security interest in all other present and future property, subject to the priorities granted to existing lenders under the ABL Facility, the Term Loan Facility, the senior secured debentures and other existing commitments.

The loan agreements with BDC require the Company to maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal year.

As at June 30, 2023, FLINT was in compliance with all financial covenants under the loan agreements with BDC.

d. Senior Secured Debentures

Balance as at December 31, 2021	$	109,744
Accretion		227
Debentures issued to settle interest		9,077
Balance as at December 31, 2022	$	119,048
Accretion		142
Debentures issued to settle interest		4,812
Balance as at June 30, 2023	$	124,002

On March 23, 2016, the Company issued 8.0% senior secured debentures due March 23, 2026 (the "Senior Secured Debentures") pursuant to a trust indenture between FLINT, as issuer, and BNY Trust Company of Canada, as debenture trustee, as amended and supplemented (the "Senior Secured Indenture"), on a private placement basis to Canso. On June 2, 2020, the debenture trustee was changed to Computershare Trust Company of Canada.

The Senior Secured Debentures bear interest at an annual rate of 8.0% payable in arrears on June 30 and December 31 of each year. The Senior Secured Debentures are redeemable at the option of the Company and, in certain circumstances, are mandatorily redeemable. The Senior Secured Debentures are secured by first-ranking liens over all of the property of the Company and its guarantor subsidiaries, other than certain limited classes of collateral over which the Company has granted a prior-ranking lien in favour of the ABL Facility, the Term Loan Facility and the other secured loans. The Senior Secured Debentures provide for certain events of default and covenants of the Company, including financial and reporting covenants and restrictive covenants limiting the ability of the Company and its subsidiaries to make certain distributions and dispositions, incur indebtedness, grant liens and limitations with respect to acquisitions, mergers, investments, non-arm's length transactions, reorganizations and hedging arrangements (subject to certain exceptions).

On June 6, 2023, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages and sole holder of the Senior Secured Debentures, agreed to (i) accept the issuance of Senior Secured Debentures on June 30, 2023 with a principal amount of $4,812 in order to satisfy the interest that would otherwise become due and payable on such date (the “Payment in Kind Transaction”) and (ii) amend the trust indenture governing the Senior Secured Debentures to, among other things, establish a mechanism by which the Company may request, and the holder of the Senior Secured Debentures may approve (at their sole discretion), the payment of interest owing on the Senior Secured Debentures on future interest payment dates in kind (the “Indenture Amendment”). On June 28, 2023, the Company entered into the Ninth Supplemental Senior Secured Indenture to affect the Payment in Kind Transaction and the Indenture Amendment.

5. Revenue

The following are amounts for each significant category of revenue recognized:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Rendering of services	$ 154,346	$ 155,601	$ 288,802	$ 250,011
Sales of goods	14,221	17,594	30,244	33,032
Total	$ 168,567	$ 173,195	$ 319,046	$ 283,043

6. Selling, general and administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Salaries and benefits	$ 6,495	$ 5,952	$ 11,855	$ 11,256
Occupancy and office costs	1,131	815	2,128	1,528
Professional fees	955	2,168	1,716	3,480
Travel and advertising	542	466	1,001	817
Insurance	449	374	1,040	746
Other	—	24	—	24
Total	$ 9,572	$ 9,799	$ 17,740	$ 17,851

7. Share capital and loss per share

The authorized share capital of the Company consists of: (i) an unlimited number of Common Shares, and (ii) Preferred Shares issuable in series to be limited in number to an amount equal to not more than one half of the issued and outstanding Common Shares at the time of issuance of such Preferred Shares.

The following table summarizes the number of Preferred and Common Shares outstanding:

	Preferred Shares		Common
	Series 1	Series 2	Shares
Balance as at December 31, 2022	127,732	40,111	110,001,239
Balance as at June 30, 2023	127,732	40,111	110,001,239

The Series 1 and Series 2 Preferred Shares have a 10.0% fixed cumulative preferential cash dividend payable when the Company shall have sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The Board of Directors of the Company does not intend to declare or pay any cash dividends until such time as the Company's balance sheet and liquidity position supports the payment. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 Preferred Shares.

As at June 30, 2023, the accrued and unpaid dividends on the Series 1 and Series 2 Preferred Shares totaled $84,994 (December 31, 2022 - $76,671). Assuming that the holders of the Preferred Shares exercise the right to convert such accrued and unpaid dividends into additional Preferred Shares and then convert such Preferred Shares into Common Shares, approximately 357,664,082 (December 31, 2022 - 319,675,972) Common Shares would be issued, which represents approximately 325.2% (December 31, 2022 - 290.6%) of the Common Shares outstanding as at June 30, 2023.

In addition, holders of the Series 1 and Series 2 Preferred Shares have the right, at their option, to convert their Preferred Shares into Common Shares at a price of $0.35 and $0.10 per Common Share, respectively, subject to adjustment in certain circumstances. During the six months ended June 30, 2023, no Series 1 or Series 2 Preferred Shares were converted into Common Shares (year ended December 31, 2022 - 8,571 Common Shares were issued upon the conversion of three Series 1 Preferred Shares).

The Series 1 and Series 2 Preferred Shares are redeemable by the Company for cash at 110% of the purchase price for such shares, plus accrued but unpaid dividends, once all of the outstanding Senior Secured Debentures have been repaid and are subject to repayment in the event of certain change of control transactions.

Based upon the conversion rights of the Series 1 and Series 2 Preferred Shares there could be significant dilution to the current holders of Common Shares. Up to approximately 766,059,000 (December 31, 2022 - 766,059,000) additional Common Shares would be issuable upon conversion of the face amount of the Preferred Shares into Common Shares, representing approximately 696.4% (December 31, 2022 - 696.4%) of the Common Shares outstanding as at June 30, 2023.

The only potentially dilutive securities as at June 30, 2023 were the Preferred Shares. All potentially dilutive securities were anti-dilutive for the six months ended June 30, 2023 and therefore were not included in the calculation of diluted earnings per share.

8. Financial instruments and risk management

Financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, the ABL Facility, the Term Loan Facility, the Senior Secured Debentures and other secured borrowings.

a. Risk management

FLINT's Board of Directors has overall responsibility for the establishment and oversight of FLINT's risk management framework. FLINT has exposure to credit risk, interest rate risk, customer concentration risk, and liquidity risk.

(i) Credit risk

The Company has exposure to credit risk, which is the risk of financial loss to FLINT if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from FLINT's accounts receivable. The following table outlines FLINT's maximum exposure to credit risk:

	June 30, 2023	December 31, 2022
Cash	$ 400	$ 3,134
Accounts receivable	152,817	159,371
Total	$ 153,217	$ 162,505

Cash is held at Canadian Schedule A Banks and is therefore considered low credit risk.

FLINT has a credit policy under which each new customer is analyzed individually for creditworthiness before standard payment terms and conditions are offered. FLINT's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. When available, FLINT reviews credit bureau ratings, bank accounts and financial information for each new customer. FLINT's customers are primarily Canadian energy companies engaged in upstream, midstream and downstream activities, all of which have strong creditworthiness.

Of the total balance of accounts receivable at June 30, 2023, $97,645 (December 31, 2022 - $87,505) related to trade receivables and $55,172 (December 31, 2022 - $71,866) related to accrued revenue and other (i.e., for work performed but not yet invoiced).

Trade receivables are non-interest bearing and generally due on 30-90 day terms. As at June 30, 2023, approximately $7,473 of FLINT's trade receivables had been outstanding longer than 90 days (December 31, 2022 - $15,630). Management has fully evaluated the outstanding receivables as at June 30, 2023 and has determined that the lifetime expected credit losses of the trade receivables is immaterial at this time.

(ii) Interest rate risk

Interest rate risk arises from the possibility of the future cash flows of a financial instrument fluctuating as a result of changes in the market rates of interest. FLINT is subject to interest rate risk on its ABL Facility and other secured borrowings. The required cash flow to service certain credit facilities will fluctuate as a result of changes in market rates.

There are no material changes to interest rate risk for the three and six months ended June 30, 2023.

(iii) Customer concentration risk

There are no material changes to customer concentration for the three and six months ended June 30, 2023.

(iv) Liquidity risk

Liquidity risk is the risk that FLINT will not be able to meet its financial obligations as they come due. FLINT's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

FLINT's strategy is that long-term debt should always form part of its capital structure, assuming an appropriate cost. As existing debt approaches maturity, FLINT will replace it with new debt, convert it into equity or refinance or restructure, depending on the state of the capital markets at the time.

FLINT manages its liquidity risk by continuously monitoring forecast and actual gross profit and cash flows from operations. The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flows from operations will be sufficient to meet its short-term contractual obligations and to maintain compliance with its financial covenants through June 30, 2024.

9. Segment information

The Company has organized the business around differences in products and services provided to customers. All or substantially all of FLINT's operations, assets and employees are located in Canada.

FLINT has four operating segments (December 31, 2022 - five), which are aggregated into two reportable segments, as follows:

- The Maintenance and Construction Services segment is a fully integrated provider of maintenance and construction services to the energy and industrial markets. This segment provides maintenance services, welding, fabrication, machining, construction, turnaround services, heavy equipment operators and a resource/labour supply. The Maintenance and Construction reportable segment consists of the Union and Non-union operating segments as well as the Environmental operating segment on the basis of the similarities in their service offerings, customers and business environment.
- The Wear Technology Overlay Services segment specializes in the supply and fabrication of overlay pipe spools, pipe bends, wear plates and vessels for corrosion and abrasion resistant applications across various end markets. This reportable segment consists of the Wear Technology Overlay operating segment.

In addition to the reportable operating segments, the Corporate division is a standard head office function, which deals with strategic planning, corporate communications, taxes, legal, marketing, finance, financing (including interest expense), human resources and information technology for the entire organization. These costs are managed on a group basis and therefore are not allocated to operating segments.

The eliminations column includes eliminations of inter-segment transactions. FLINT accounts for inter-segment sales based on transaction price.

For the three months ended June 30, 2023	Maintenance and Construction Services	Wear Technology Overlay Services	Corporate	Eliminations	Total
Revenue	$ 155,709	$ 13,001	$ —	$ (143)	$ 168,567
Cost of revenue	(140,681)	(10,769)	—	143	(151,307)
Gross profit	15,028	2,232	—	—	17,260
Selling, general and administrative expenses	(162)	(88)	(9,322)	—	(9,572)
Long-term incentive plan expense	—	—	(1,050)	—	(1,050)
Amortization of intangible assets	(15)	(115)	—	—	(130)
Depreciation expense	(1,737)	(659)	(184)	—	(2,580)
Income from long-term investments	78	—	—	—	78
Interest expense	(159)	(171)	(4,324)	—	(4,654)
Restructuring expenses	(38)	(100)	(33)	—	(171)
Impairment of intangible assets and goodwill	—	(7,289)	—	—	(7,289)
Impairment of property, plant and equipment	—	(4,173)	—	—	(4,173)
Gain on sale of property, plant and equipment	68	—	—	—	68
Other income	—	—	110	—	110
Income (loss) from continuing operations	$ 13,063	$ (10,363)	$ (14,803)	$ —	$ (12,103)

For the three months ended June 30, 2022	Maintenance and Construction Services	Wear Technology Overlay Services	Corporate	Eliminations	Total
Revenue	$ 160,266	$ 14,276	$ —	$ (1,347)	$ 173,195
Cost of revenue	(146,643)	(12,198)	—	1,347	(157,494)
Gross profit	13,623	2,078	—	—	15,701
Selling, general and administrative expenses	(165)	(74)	(9,560)	—	(9,799)
Amortization of intangible assets	(28)	(115)	—	—	(143)
Depreciation expense	(1,695)	(643)	(253)	—	(2,591)
Income from long-term investments	15	—	—	—	15
Interest expense	(221)	(53)	(3,963)	—	(4,237)
Restructuring expenses	(2)	—	(54)	—	(56)
Gain on sale of property, plant and equipment	136	—	—	—	136
Income (loss) from continuing operations	$ 11,663	$ 1,193	$ (13,830)	$ —	$ (974)

For the six months ended June 30, 2023	Maintenance and Construction Services	Wear Technology Overlay Services	Corporate	Eliminations	Total
Revenue	$ 292,269	$ 26,930	$ —	$ (153)	$ 319,046
Cost of revenue	(265,919)	(22,652)	—	153	(288,418)
Gross profit	26,350	4,278	—	—	30,628
Selling, general and administrative expenses	(323)	(160)	(17,257)	—	(17,740)
Long-term incentive plan expense	—	—	(2,045)	—	(2,045)
Amortization of intangible assets	(32)	(230)	—	—	(262)
Depreciation expense	(3,443)	(1,334)	(399)	—	(5,176)
Income from long-term investments	117	—	—	—	117
Interest expense	(351)	(249)	(8,410)	—	(9,010)
Restructuring expenses	(157)	(102)	(519)	—	(778)
Impairment of intangible assets and goodwill	—	(7,289)	—	—	(7,289)
Impairment of property, plant and equipment	—	(4,173)	—	—	(4,173)
Gain on sale of property, plant and equipment	190	—	—	—	190
Other income	—	—	110	—	110
Income (loss) from continuing operations	$ 22,351	$ (9,259)	$ (28,520)	$ —	$ (15,428)

For the six months ended June 30, 2022	Maintenance and Construction Services	Wear Technology Overlay Services	Corporate	Eliminations	Total
Revenue	$ 259,701	$ 26,617	$ —	$ (3,275)	$ 283,043
Cost of revenue	(238,720)	(22,157)	—	3,275	(257,602)
Gross profit	20,981	4,460	—	—	25,441
Selling, general and administrative expenses	(317)	(148)	(17,386)	—	(17,851)
Amortization of intangible assets	(56)	(230)	—	—	(286)
Depreciation expense	(3,372)	(1,280)	(503)	—	(5,155)
Income from long-term investments	52	—	—	—	52
Interest expense	(442)	(138)	(7,529)	—	(8,109)
Restructuring expenses	(2)	—	(2,824)	—	(2,826)
Loss on contingent consideration liability	—	—	(161)	—	(161)
Gain on sale property, plant and equipment	138	—	—	—	138
Income (loss) from continuing operations	$ 16,982	$ 2,664	$ (28,403)	$ —	$ (8,757)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Sean McMaster (1) (2)
Chair of the Board

Jordan Bitove (2) (3)
Director

H. Fraser Clarke (1) (2)
Director

Katrisha Gibson (1) (3)
Director

Karl Johannson (1) (2) (3)
Director

Dean MacDonald (3)
Director

Notes:
(1) Member of the Audit Committee
(2) Member of the Corporate Governance and Compensation Committee
(3) Member of the Health, Safety and Environment Committee

OFFICERS

Barry Card
Chief Executive Officer

Murray Desrosiers
Interim Chief Financial Officer
Senior Vice President, Legal and Corporate Development

Neil Wotton
Chief Operating Officer

Deloris Hetherington
Vice President, Human Resources

Brad Naeth
Vice President, Wear and Environmental Services

James Healey
Vice President, Finance and Corporate Controlling

Herb Thomas
Vice President, Operations

Angela Thompson
Vice President, Corporate Services

Clint Tisnic
Vice President, Operational Finance

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AUDITORS
Ernst & Young LLP

LEGAL COUNSEL
Blake, Cassels & Graydon LLP
McCarthy Tetrault LLP

TRANSFER AGENT
Computershare Investor Services Inc.

EXCHANGE LISTING
Toronto Stock Exchange
Symbol: FLNT

Helping customers bring their resources to our world. We will be the service company of choice for our stakeholders.

Corporate Office